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DEPT FOR AF/SPG, AF/EPS, EB/IFD, AND EB/ESC
DEPT PLS PASS USAID FOR AFR, AND ALSO PASS USAID

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E.O. 12958: N/A
TAGS: PREL PGOV EFIN ECON EAID SU
SUBJECT: U.S. SANCTIONS HURT SUDAN'S ECONOMY SAY CONFERENCE
PARTICIPANTS

¶1. (U) SUMMARY: On December 10, 2007 in a conference entitled "Sudan in a Global Economy," almost all speakers stated that U.S. sanctions have hurt the Sudanese economy. Presenters claimed that U.S. sanctions have resulted in a shortage of medical supplies, prevented the economy from fully liberalizing, and aimed at keeping Sudan and Africa in the dark ages. END SUMMARY.

¶2. (U) Mamoun Gamal, the Managing Director of CityPharmp Pharmaceutical Industries in Khartoum, noted that U.S. sanctions have significantly affected his business, and claimed that sanctions caused a shortage of medical supplies in Sudan from May to September ¶2007. Gamal mentioned that he was unable to obtain surgical sutures, bandages, and diabetes testing machines, specifically naming Johnson & Johnson as an example of one American company that he has not been able to access. Gamal said he is aware that agricultural commodities and medical supplies are eligible to receive special exemption licenses from the Office of Foreign Assets Control (OFAC), U.S. Department of Treasury. However, according to Gamal, many U.S. firms want his Sudanese company to cover legal fees associated with the OFAC application process, making these procedures cost prohibitive. Although Gamal complained of sanctions, he also said that there are other factors that make him feel as though he operates "in a business vacuum." Specifically, Gamal mentioned government service fees and taxes, lack of access to reliable financing, strict labor laws, and an under skilled workforce as negative factors affecting his business. Gamal cited one example of a "computer fee" that he occasionally receives from the government, noting "I don't understand this - we're being penalized for using computers?"

¶3. (U) Setting the tone for the event, Engineer Medab Yacoub opened the conference strongly criticizing U.S. sanctions, saying that sanctions have had a negative effect on both public and private projects. Yacoub stated that "The U.S. and Europe are trying to eliminate Sudan and Africa from the modern world." Continuing, she said that the West should not use political excuses to attack Sudan's economy.

¶4. (U) Dr. Abdul Gadir Abdul Nur noted that there are a number of challenges to Sudan's business environment despite positive developments in Sudan such as the privatization program started in the 1990's, the peace dividend associated with the Comprehensive Peace Agreement, and the rise of the oil industry. Nur noted that U.S. sanctions have created a number of challenges to Sudan's economy that include: limited access to raw materials; reduced markets for export; difficulty in importing the latest technology; and reduced access to advanced training. Nur stated that "one of the main reasons the economy has not liberalized in Sudan as expected is because of U.S. sanctions." Nur said that the impact of sanctions, though impossible to measure, is felt directly and indirectly, in both the short and long term. Abdul Nur concluded that though sanctions are a significant challenge, there are many other factors that confront Sudan's economy. For example, Nur noted that reverse migration (specifically the return of highly educated

Sudanese returning from the Arab Gulf) has reduced the number of available professional and highly skilled jobs.

¶5. (U) COMMENT: U.S. sanctions have had an impact on Sudan, though the extent of that impact is difficult, if not impossible, to quantitatively measure. Specific examples from particular industries (as we have recently reported on agriculture, the oil industry, and now healthcare) and general observations from educated, relatively sophisticated, and moderate observers such as these above may be the best evidence we have of the effect of U.S. sanctions. Nonetheless, we would caution against over exaggerating the effect of sanctions, as Sudan's oil boom and turn toward Asia have mitigated their overall effect. The sanctions also cut both ways, with American companies missing out on a growth market.

FERNANDEZ